

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 L-03 PM-05 NSC-05 SP-02  
SS-15 CIAE-00 INR-10 NSAE-00 EB-08 TRSE-00 OMB-01  
/072 W

-----111383 291147Z /10

R 290836Z APR 78  
FM USINT BAGHDAD  
TO SECSTATE WASHDC 6091  
INFO USDOC WASHDC  
AMEMBASSY ABU DHABI  
AMEMBASSY AMMAN  
AMEMBASSY ATHENS  
AMEMBASSY CAIRO  
AMEMBASSY DAMASCUS  
AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY LONDON  
AMEMBASSY MANAMA  
AMEMBASSY MUSCAT  
AMEMBASSY PARIS  
AMEMBASSY SANA  
AMEMBASSY TEHRAN  
AMEMBASSY TRIPOLI

LIMITED OFFICIAL USE SECTION 1 OF 2 BAGHDAD 0898

E.O. 11652: N/A  
TAGS: ETRD, IZ  
SUBJECT: MFA BOYCOTT DIRECTOR HAS MIXED REACTIONS TO NEW  
USDOC INTERPRETATIONS OF EAA REGULATIONS

REF: (A) STATE 103580, (B) STATE 097353, (C) STATE 097368.

1. SUMMARY. USINT OFFICER APRIL 23 BRIEFED MFA DIRECTOR-  
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GENERAL ABDUL HAMID ON USDOC'S SUPPLEMENTARY INTERPRETATIONS  
OF EAA REGULATIONS AND RETURNED APRIL 26 FOR FURTHER  
DISCUSSION. AFTER FIRST CALLING THE NEW INTERPRETATIONS  
"USELESS," HE LATER JUDGED THEM "HELPFUL" BECAUSE THEY  
SHOWED SOME FLEXIBILITY ON THE PART OF THE USG. HE  
ASKED IF US FIRMS CAN AGREE IN L/C'S TO MAKE SHIPMENT  
ACCORDING TO THE LAWS AND REGULATIONS OF IRAQ. THOUGH

REFUSING TO SPECULATE ABOUT THE PROSPECTS FOR RESOLVING US-IRAQ BOYCOTT DIFFERENCES, HE SAID MAJOR CHANGES IN IRAQI PRACTICES WOULD REQUIRE THE APPROVAL OF "HIGH AUTHORITIES" AND THAT THE ONLY TIME HE HAD HAD THE OPPORTUNITY TO DISCUSS THE SUBJECT WITH SUCH A PERSON HE WAS TOLD THAT IRAQ WOULD NEVER ACQUIESCE TO US ANTIBOYCOTT LEGISLATION. END SUMMARY.

2. ABDUL HAMID'S COMMENTS ON SPECIFIC TOPICS FOLLOW:

3. FALSE ALLEGATIONS AGAINST US FIRMS. ABDUL HAMID THOUGHT EAA'S PERMITTING US FIRMS TO DENY IN GENERAL TERMS FALSE ALLEGATIONS WOULD ONLY PARTIALLY SOLVE THIS PROBLEM. GENERAL DENIALS WOULD SUFFICE ONLY IF THEY CONVINCED THE CENTRAL BOYCOTT OFFICE (CBO) IN DAMASCUS NOT TO SEND THE US COMPANY A QUESTIONNAIRE. MOREOVER, THE EXCEPTION ALLOWING LOCAL BRANCHES TO PROVIDE MORE DETAILS WOULD BE OF LIMITED UTILITY BECAUSE THERE ARE FEW BRANCHES OF US COMPANIES IN IRAQ; IN ANY EVENT, IRAQI AUTHORITIES WOULD DOUBT WHETHER INFORMATION PROVIDED BY A LOCAL BRANCH, PARTICULARLY IF IT WERE HEADED BY AN IRAQI, WAS AUTHORITATIVE.

4. HE ALSO RETURNED TO THE IDEA HE EXPRESSED PREVIOUSLY THAT A BRANCH OF A US FIRM ON ONE COUNTRY MIGHT RESPOND TO BOYCOTT INQUIRIES ORIGINATING IN ANOTHER ARAB COUNTRY. LIMITED OFFICIAL USE

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WHEN USINT OFFICER NOTED THAT EAA REGULATIONS ALLOW LOCAL BRANCHES TO PROVIDE ONLY INFORMATION RELEVANT TO ACTIVITIES EXCLUSIVELY WITHIN A BOYCOTTING COUNTRY, ABDUL HAMID OBSERVED THAT ONE ARAB COUNTRY THROUGH THE CBO COULD ASK ANOTHER ARAB COUNTRY TO MAKE THE INQUIRY. FOR EXAMPLE, IF IRAQI AUTHORITIES WANTED TO OBTAIN BOYCOTT INFORMATION ABOUT A US COMPANY HAVING NO BRANCH IN BAGHDAD BUT HAVING ONE IN KUWAIT, IT COULD ASK THE CBO TO REQUEST THE KUWAITI BOYCOTT OFFICE TO MAKE THE INQUIRY. GOI MIGHT USE THIS PROCEDURE, TOO, IF IT THOUGHT THE LOCAL BRANCH IN BAGHDAD WAS NOT IN A POSITION TO GIVE AN ADEQUATE ANSWER.

5. ABDUL HAMID STATED THAT ONE OF THE REASONS THE IRAQI GOVERNMENT HAD APPOINTED A COMMERCIAL ATTACHE IN WASHINGTON WAS TO OBTAIN COMMERCIAL INFORMATION; THE GOI, HOWEVER, DID NOT WANT TO BE GUILTY OF "ECONOMIC ESPIONAGE," AND ABDUL HAMID ASKED WHAT TYPES OF INFORMATION RELATING TO BOYCOTT COULD THE IRAQI COMMERCIAL ATTACHE IN WASHINGTON OBTAIN. USINT OFFICER EXPLAINED EAA PROHIBITIONS CONCERNING PROVISION OF BOYCOTT INFORMATION BUT CITED THE IRAQI COMMERCIAL

ATTACHE'S ACCESS TO THE VAST AMOUNTS OF COMMERCIAL  
INFORMATION IN US NEWSPAPERS, TRADE PUBLICATIONS, ETC.

6. RISK OF LOSS PROVISION. WHEN USINT OFFICER INFORMED  
HIM THAT EAA POSES NO PROHIBITIONS ON A US COMPANY'S  
COMPLIANCE WITH "DELIVERY IN COUNTRY" PROVISIONS IF THEY  
WERE TO BE INCORPORATED INTO IRAQI CONTRACTS, ABDUL HAMID  
SAID THAT THIS POSSIBILITY NOW SEEMED TOO EXPENSIVE AND  
CUMBERSOME TO BE A REALISTIC ALTERNATIVE.

7. CERTIFICATES OF ORIGIN. ABDUL HAMID ASKED AGAIN  
WHETHER US FIRMS COULD CERTIFY IN LETTERS OF CREDIT  
THAT "GOODS WILL BE SUPPLIED IN ACCORDANCE WITH THE  
TERMS OF THE CONTRACT." IN REPLYING AFFIRMATIVELY,  
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USINT OFFICER SAID THAT THIS ALTERNATIVE, HOWEVER, WOULD  
PROBABLY NOT BE ACCEPTABLE TO BANKS, WHICH AS A GENERAL

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R 290836Z APR 78  
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AXEMBASSY ABU DHABI 408  
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GJUQMAAZ/AMEMBASSY ATHENS 757  
AMEMBASSY CAIRO  
AMJMBASSY DAMASCUS 939  
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POLICY DO NOT PROCESS L/C'S CONTINGENT ON CONDITIONS WHICH THEY THEMSELVES CANNOT VERIFY. ABDUL HAMID AGREED THAT BANKS ARE NOT IN THE BUSINESS OF ENFORCING CONTRACTS AND OBSERVED AGAIN THAT IRAQ STANDS NEARLY ALONE AMONG ARAB STATES IN REGARD TO ITS REQUIREMENT FOR NEGATIVE CERTIFICATES OF ORIGIN.

8. NEW USDOC INTERPRETATIONS OF EAA REGULATIONS. ABDUL HAMID  
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INITIALLY CALLED THEM "USELESS" SAYING THE CONCEPT OF SELF-CERTIFICATION DID NOT RESOLVE IMPORTANT PROBLEMS. FOR EXAMPLE, EVEN THOUGH US COMPANIES COULD CERTIFY THAT THEY THEMSELVES ARE NOT BLACKLISTED, IRAQI AUTHORITIES ALREADY WOULD KNOW THAT INFORMATION AND ARE INTERESTED IN SUBSIDIARIES AND PARENT COMPANIES ABOUT WHICH THEY MAY NOT KNOW. SELF-CERTIFICATION ALSO DID NOT COVER IMPORTANT ASPECTS OF THE SHIPPING PROBLEM. UNDER THE NEW USDOC INTERPRETATION, GOODS COULD STILL BE SHIPPED ON A BLACKLISTED STEAMER WHICH WOULD BE PROHIBITED FROM ENTERING IRAQI PORTS. UNDER MARINE LAW THIS SITUATION CONSTITUTES FORCE MAJEURE AND THE SHIP'S MASTER COULD DISCHARGE THE GOODS AT ANY CONVENIENT PORT. IN THAT CASE, THE IRAQI PURCHASING COMPANY WOULD STAND TO LOSE BOTH ITS MONEY AND ITS GOODS. USINT OFFICER REPLIED THAT THIS TYPE OF SITUATION WAS UNLIKELY TO OCCUR BECAUSE SHIPPING COMPANIES WOULD NOT SCHEDULE A SHIP INELIGIBLE TO ENTER IRAQI WATERS TO CALL AT BASRA; MOREOVER, THE GOI COULD GUARD AGAINST SHIPMENT ON A BLACKLISTED STEAMER BY REQUIRING THE SUPPLIER TO FURNISH THE NAME OF THE VESSEL, ITS PORTS OF CALL, ETC., AND THEN, IF THE GOI THOUGHT IT NECESSARY, ASKING THE VESSEL'S OWNER, CHARTERER OF MASTER TO PROVIDE THE "ELIGIBILITY" CERTIFICATE PERMITTED UNDER THE NEW USDOC INTERPRETATIONS. ABDUL HAMID DEMURRED. SEVERAL BLACKLISTED STEAMERS HAD ATTEMPTED TO CALL AT BASRA AND IT WAS ADMINISTRATIVELY IMPRACTICAL FOR THE GOI TO MONITOR SHIPPING ARRANGEMENTS IN THE MANNER NECESSARY TO COMPLY WITH EAA REGULATIONS. IN FACT, THE ISRAELI GOVERNMENT HAD AN OFFICE FOR ANTI-BOYCOTT AFFAIRS WITH A YEARLY BUDGET OF OVER 20 MILLION DOLLARS WHOSE SOLE PURPOSE WAS TO TAKE ADVANTAGE OF SUCH SITUATIONS TO CAUSE EMBARRASSMENT TO ARAB STATES.

9. TO MINIMIZE THIS POSSIBILITY, HE ASKED FIRST WHETHER THE

EAA REGULATIONS WOULD ALLOW US FIRMS TO COMPLY WITH A REQUIRE-  
MENT IN LETTERS OF CREDIT FOR SUPPLIERS, REPEAT SUPPLIERS, TO  
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OBTAIN A CERTIFICATE FROM A VESSEL'S OWNER, CHARTERER OR MASTER  
THAT THE VESSEL IS ELIGIBLE TO ENTER IRAQI WATERS. SECOND, IF THAT  
WERE NOT POSSIBLE, COULD US FIRMS COMPLY WITH A REQUIREMENT  
THAT THEY CERTIFY SHIPMENT WOULD NOT BE MADE IN VIOLATION OF  
THE LAWS AND REGULATIONS OF IRAQ? HE PRESUMED, IF THIS SECOND  
IDEA WAS ACCEPTABLE, THE PHRASING WOULD HAVE TO BE POSITIVE  
RATHER THAN NEGATIVE. USINT OFFICER SAID HE WOULD REFER THE  
QUESTIONS TO WASHINGTON BUT OFFERED THE PRELIMINARY ANSWER "NO"  
TO THE FIRST QUESTION BECAUSE SUCH A CERTIFICATION COULD  
REQUIRE ONE US COMPANY IN EFFECT TO ELICIT BOYCOTT RELATED  
INFORMATION FROM ANOTHER. IN REGARD TO THE SECOND QUESTION EAA  
REGULATIONS ALLOW US FIRMS TO AGREE TO COMPLY WITH THE LAWS AND  
REGULATIONS OF IRAQ IN GENERAL, AND THE NEW USDOC INTERPRETATIONS  
SPECIFICALLY ALLOW US COMPANIES TO ACKNOWLEDGE IN CONTRACTS  
THAT THE IMPORT AND CUSTOMS LAWS AND REGULATIONS OF A BOYCOTTING  
COUNTRY WILL APPLY TO THE SHIPMENT OF PRODUCTS TO IT.

10. IN CONCLUDING DISCUSSION OF THE NEW USDOC INTERPRETATIONS,  
ABDUL HAMID SAID THAT HE WAS WRONG: THE INTERPRETATIONS WERE  
HELPFUL, NOT USELESS, BECAUSE THEY SHOWED SOME FLEXIBILITY ON  
THE PART OF THE US GOVERNMENT. HE THOUGHT THE INTERPRETATION  
CONCERNING WHAT US COMPANIES MAY AGREE TO IN CONTRACTS WAS  
PARTICULARLY HELPFUL. SINCE MANY IRAQI CONTRACTS WITH US  
COMPANIES HAD BEEN HELD UP BECAUSE US FIRMS DID NOT KNOW WHAT  
WAS PERMISSIBLE UNDER THE EAA REGULATIONS, HE URGED WIDE  
DISSEMINATION OF THIS INFORMATION.

11. ABDUL HAMID WOULD NOT SPECULATE AS TO THE PROSPECTS FOR  
WORKING OUT US-IRAQI DIFFERENCES REGARDING BOYCOTT. HE SAID  
THAT THE TECHNICAL COMMITTEE WHICH HE CHAIRED HAD NO  
DECISION-MAKING AUTHORITY AND THAT THE ULTIMATE DECISION WOULD  
BE MADE AT A HIGHER LEVEL. THE ONE TIME THAT HE HAD DISCUSSED  
BOYCOTT PROBLEMS WITH "A HIGH AUTHORITY" THE PERSON HAD SAID  
THAT THE NEW US LEGISLATION WAS A DIRECT CHALLENGE TO THE ARAB  
WORLD AND THAT IRAQ WOULD NEVER ACQUIESCE.

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12. ABDUL HAMID KNEW OF NO FORTHCOMING MEETING OF THE ARAB  
LEAGUE BOYCOTT COMMISSIONERS AND DOUBTED ANY MEETING WOULD  
TAKE PLACE AS LONG AS THE "POLITICAL DIFFERENCES" THAT FORCED  
THE POSTPONEMENT OF THE MEETING SCHEDULED LAST DECEMBER CONTINUE.

IN THE INTERIM, BOYCOTT OFFICIALS IN THE VARIOUS ARAB LEAGUE COUNTRIES ARE DOING BUSINESS BY CORRESPONDENCE AND HIS SAUDI COUNTERPART HAD RECENTLY SOLICITED HIS OPINION ON SEVERAL ISSUES.

13. USINT REQUESTS VERIFICATION THAT PRELIMINARY RESPONSES GIVEN TO ABDUL HAMID'S QUESTIONS IN PARA 9 ARE CORRECT.  
MACK

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## Message Attributes

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